The Water Utility Enterprise

Final—June 1993

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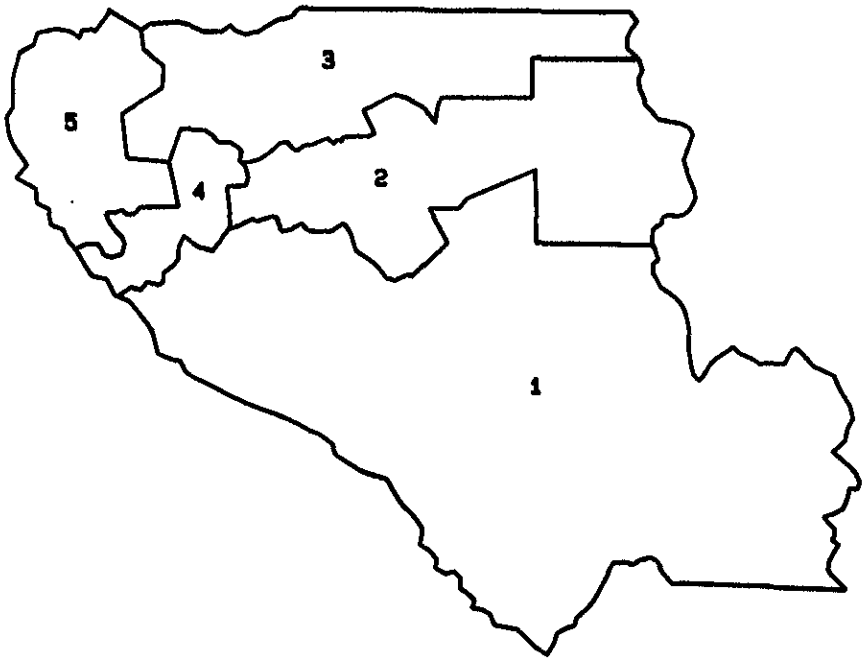
Santa Clara Valley Water District



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Board of Directors:

After 6 consecutive years of water supply shortages, rainfall for the 1992-93 season in Santa Clara County and the remainder of northern California exceeded long-term averages. In March 1993, with local reservoirs 85 percent full, the District's Board of Directors endorsed a voluntary water conservation program for 1993. This action ended 4 years of mandatory conservation that reduced water usage by more than 20 percent annually, compared to 1987 usage.

The District's Board of Directors reduced water rates for Municipal and Industrial (M&I) users by 8 percent in response to the adequate water supplies and a voluntary water conservation program. This marks the second consecutive year the District has not increased rates, while successfully managing restricted supplies and meeting increasingly stringent regulatory requirements.

For the fiscal year beginning July 1, 1993, the groundwater charges for M&I water for Zones W-2 and W-5 are $240 and $108 per acre-foot, respectively; the treated water charge is $310 per acre-foot. The agricultural rates remain at $43.75 and $11.50 per acre-foot for Zones W-2 and W-5, respectively.

Two major challenges confront the District as we enter the new fiscal year. First, there is a continuing threat to District revenues arising from possible action by the state to shift special district funds to other uses as a solution to state budget problems. Secondly, there is considerable uncertainty in the response of District customers to the end of mandatory conservation. The District's budget for fiscal year 1993-94 assumes water usage will rise to 85 percent of predrought levels as represented by 1987 usage in the county. However, continued conservation combined with weakness in the local economy could result in lower water sales, and therefore lower revenues, than anticipated.

In the face of these uncertainties, the Water Utility will continue to hold the line on expenditures until the revenue outlook is clarified. If our revenues are taken by legislative action at the state level, we do have the opportunity to review our financial situation and adjust rates effective January 1, 1994.

The services the District provides reflect the water utility mission: to provide a water supply of adequate quantity and quality to meet the desired quality of life in the community. In response to increasing costs to provide essential services, the District continues to review its goals and objectives and to prioritize its programs. The programs reflected in this report outline a plan for continuing the District's commitment to providing a reliable high quality water supply for all of Santa Clara County.

Ronald R. Esau
General Manager

June 1993

PREFACE

This is the twenty-second annual report on the status of the Santa Clara Valley Water District's Water Utility Enterprise. According to Section 26.5 of the District's Act, the District shall annually prepare a written report on the District's activities in the protection and augmentation of the water supplies of the District. As required by the District Act, this report provides information on the present and future water requirements of Santa Clara County, the water supply available to the District, future capital improvement and maintenance and operating requirements, financing methods, and water charges by zone for agricultural water and nonagricultural water.

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Executive Summary

Local Supply

After 6 consecutive years of water supply shortages in Santa Clara County, rainfall for the 1992-93 rainfall season, beginning July 1, 1992, is about 130 percent of the historical season average, and water stored in District's surface reservoirs reached a maximum of 91 percent of capacity in early April.

Imported Supplies

The District expects to receive 84,000 acre-feet in water deliveries from the State Water Project, or 86 percent of the District's entitlement. The District expects to receive 93,000 acre-feet or 61 percent of its entitlement from the Bureau of Reclamation in 1993. The San Francisco Water Department is expected to deliver about 76,000 acre-feet to retail agencies in the northern part of Santa Clara County in 1993. Thus, the total imported water supply for calendar year 1993 is anticipated to be 253,000 acre-feet.

Water Demand Management

On March 2, 1993, the District's Board of Directors approved a voluntary water use reduction program for the County for 1993. This marked the end of the mandatory water use reduction programs that began in 1989.

Water Utility Management

The District continues to evaluate its goals and objectives and prioritize projects to present the best water management program within financial constraints. Within these goals, projects are prioritized to graduate from immediate basic needs to enhancements which improve reliability, quality, and efficiency. This year, the District is actively seeking opportunities to streamline and, if necessary, postpone expenditures.

Water Supply Programs

In an effort to provide adequate and reliable water supplies while effectively managing its uses, the District is proceeding to evaluate its 1975 Water Supply Master Plan. Toward that end, a ***Draft Water Supply Overview Study*** was presented to the Board January 5, 1993. Current and future water needs are evaluated, and alternatives for meeting those needs both in the long-term average and in critical dry periods are presented. The draft study concludes that it will be necessary to pursue a combination of water conservation programs, water reclamation, permanent water transfers, and additional long-term storage. During the past year, the District also completed a groundwater model for the Santa Clara Valley Subbasin to aid in both quantifying natural supplies and effectively managing the groundwater basin.

Construction Programs

The expansion of the In-County Distribution System, as defined in the 1975 Master Plan, continues through the project planning, design, and construction phases. Additionally, changes in water treatment processes, facility relocations necessary for Highway 85 construction, and maintenance on the District's expanding system add to the design and construction program. Phase I of the Raw Water Control System is complete, and countywide control is now available; construction for Phase II began in January 1993. An Engineer's Report for Lexington Dam Freeboard Restoration is in progress. The Milpitas Pipeline Phase I is complete, and Phases II and III will be completed in 1993. The Engineer's Reports and environmental documents for the Parallel East Pipeline, East Reservoir and Delivery Main in east San Jose, and the San Pedro Recharge Facilities in Morgan Hill are complete. Design is proceeding on Stage I, Parallel East Pipeline, and San Pedro Recharge Facility.

Water Quality Programs

The District's commitment to protect surface water and groundwater quality continues. The District is facing new and more stringent drinking water regulations that will result in increased expenditures for compliance. The pilot plant that will be used to study alternative disinfection processes is complete, and testing started in March, 1993. Expenditures also include oversight of the investigation and cleanup of fuel leaks, coordination with the Regional Water Quality Control Board on the investigation and cleanup of solvent cases and landfills, the nonpoint source pollution control program, the wellhead protection program, development of watershed management programs, participation in the State Water Resources Control Board's Bay Delta Water Quality Control Plan process, and implementation of corrosion control and disinfection by-product studies.

Financial Management

Based on projected revenues and expenditures, the District's Board of Directors voted on April 20, 1993, to reduce Municipal and Industrial (M&I) water rates for fiscal year 1993-94 by 8 percent. Agricultural (AG) rates were not changed. However, should the state legislature reallocate the 1 percent ad valorem tax revenues, the Board of Directors may consider a rate increase on January 1, 1994.

Water Charges

Zone W-2 groundwater charges and equivalent basic user rates for 1993-94 are $240 per acre-foot for M&I water and $43.75 per acre-foot for agricultural water. The treated water charges are $310 per acre-foot. The Zone W-5 groundwater charges and equivalent basic user rates for 1993-94 are $108 per acre-foot for M&I water and $11.50 per acre-foot for agricultural water.

Recorded and Projected Water Requirements

As required by Section 26.5 of the District Act, the present and future water requirements are represented in the charts to the right.

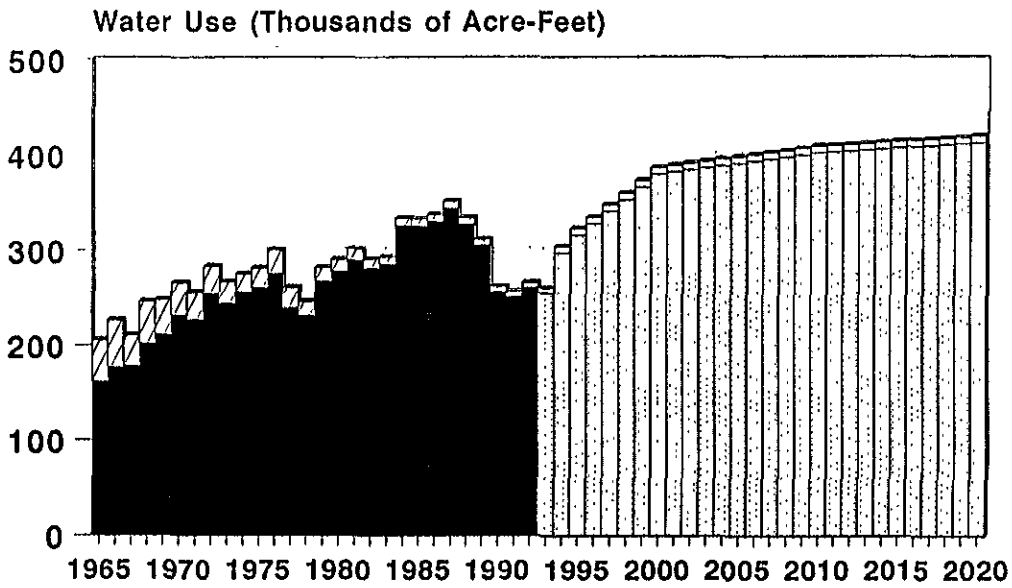
Water use in Santa Clara County is categorized as either agricultural or M&I. Recorded fiscal year North County water use since 1964-65 and South County water use since 1987-88 are shown to the right. Metcalf Road is the dividing line between North County Zone W-2 and South County Zone W-5. The North County includes the Santa Clara Valley Groundwater Subbasin while both the Coyote and Llagas Groundwater Subbasins are in South County.

Water use in north Santa Clara County is predominantly M&I. Current projections indicate an increase through 2020 when the total North County average annual water use is estimated to be 419,000 acre-feet. Agricultural water use is expected to continue to decrease through the year 2020.

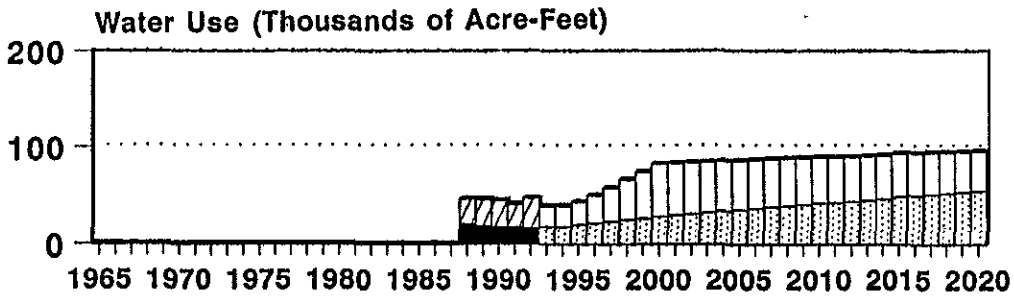
In south Santa Clara County, it is anticipated that M&I water use will continue to increase while agricultural use will decrease. The continued installation of meters in south Santa Clara County will improve the reliability of water use data. The latest projections in south Santa Clara County anticipate a total average water use of about 96,000 acre-feet by the year 2020.

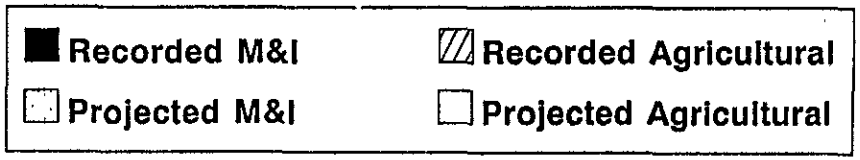
The above projected water needs which are also shown to the right do not show the effects of anticipated conservation savings of 28,000 acre-feet per year from implementation of best management practices.

North Santa Clara County, Zone W-2



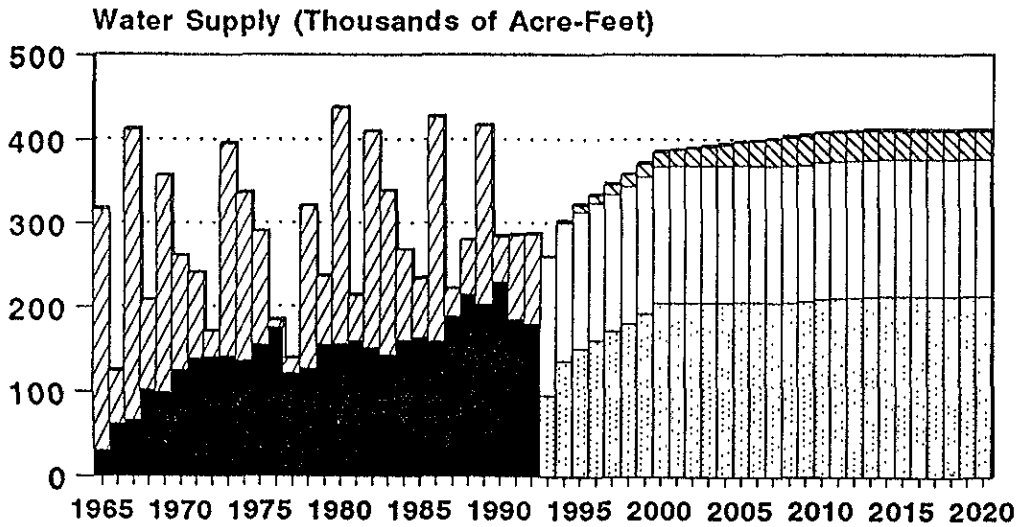
South Santa Clara County, Zone W-5



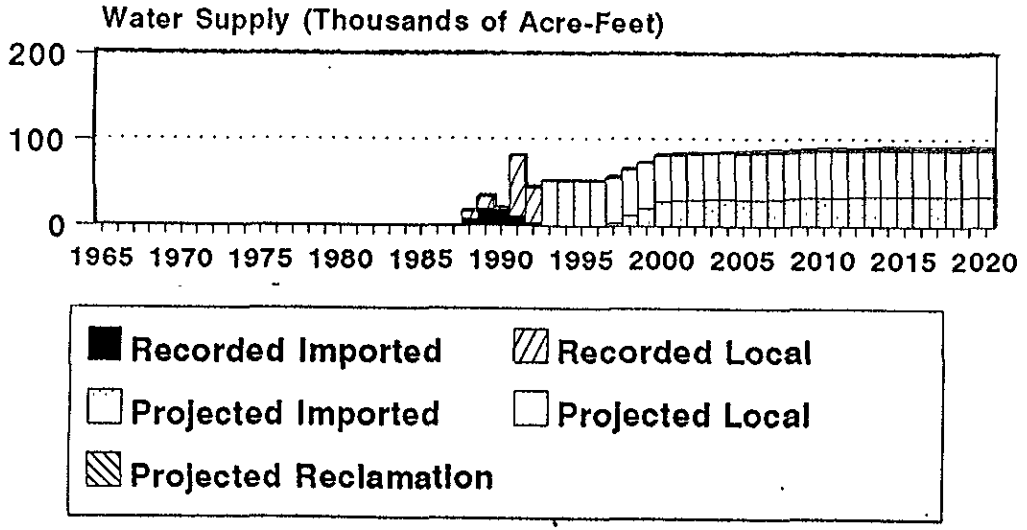


Recorded and Projected Water Supply

North Santa Clara County, Zone W-2



South Santa Clara County, Zone W-5



As required by Section 26.5 of the District Act, the water supply available to the District is reported herein. The District's water supply includes water imported from the Sacramento-San Joaquin Delta, local water stored in reservoirs and groundwater subbasins, and reclaimed wastewater.

Present sources of water supply in north Santa Clara County consist of locally developed water and water imported via the State Water Project's South Bay Aqueduct, the federal Central Valley Project's San Felipe Division, and the City and County of San Francisco's Hetch Hetchy Aqueduct. South Santa Clara County is supplied by locally developed water and water imported via the San Felipe Division. The recorded water supply in north Santa Clara County since 1964-65 and South County since 1987-88 are shown to the left (data are for "water year" October 1 through September 30).

In 1992-93 local rainfall was about 130 percent of the seasonal average, and deliveries from both the State Water Project and the Central Valley Project are expected to be, respectively, 86 and 61 percent of entitlements.

Future local supplies will be augmented by water from water reclamation facilities in Sunnyvale, San Jose, Gilroy/Morgan Hill, and Palo Alto.

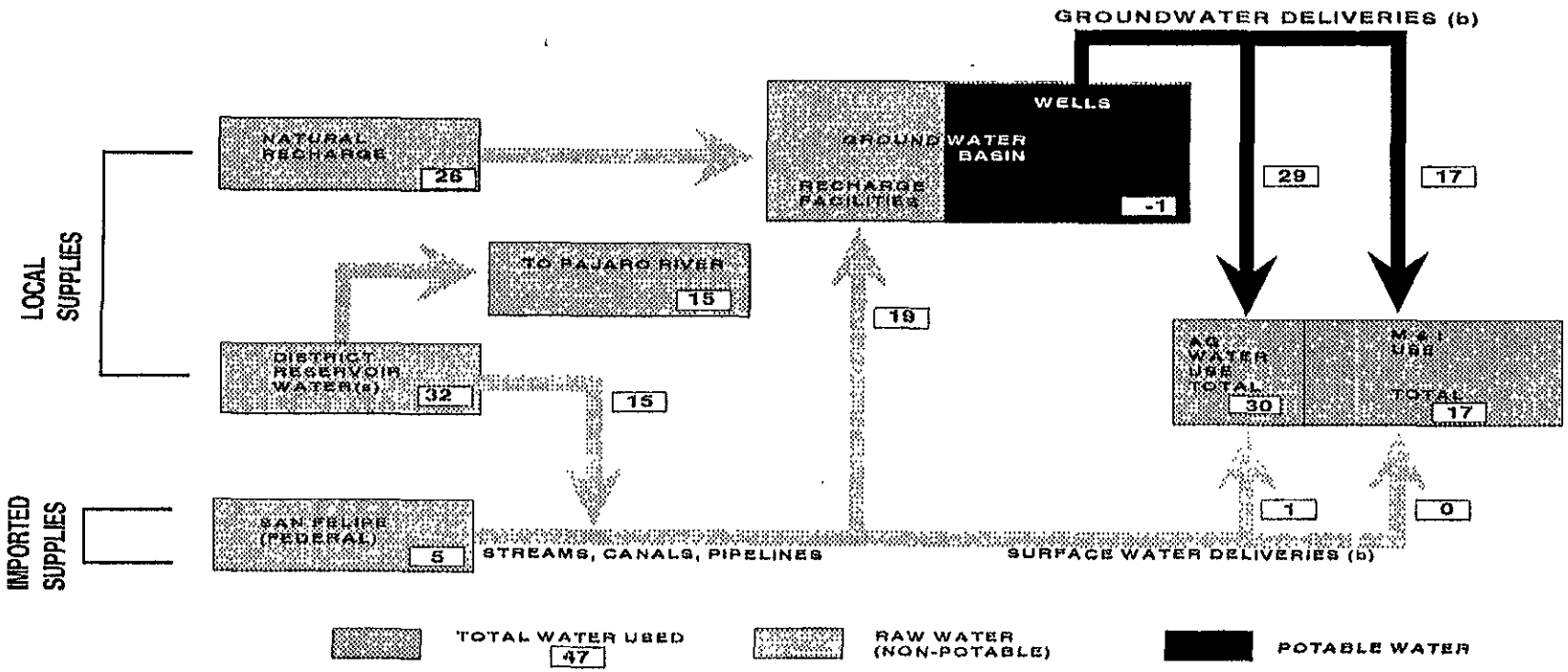
Water Year 1991-92 Recorded Water Supply and Use

Water supply is recorded during the water year from October through September. The water supply and use charts on pages 6 and 7 record the sources and uses of water for both north and south Santa Clara County during the 1991-92 water year. Positive changes in storage in the groundwater basins plus local water conserved in the County's reservoirs add to the water supply for the following year. The rainfall at San Jose during the rainfall year from July 1991 through June 1992 was 101 percent of average.

Because the imported water contracts and mandatory water use reductions are for calendar years, pages 8 and 9 present the recorded water supply and use for calendar year 1992 and the projected water supply and uses for calendar year 1993. The local reservoirs contained 21 percent of capacity in October 1992. The 15 percent mandatory water use reduction program established by the District Board of Directors program in April 1992, effectively reduced water use by 21 percent of 1987 usage during calendar year 1992.

WATER SUPPLY & USE
SOUTH SANTA CLARA COUNTY (ZONE W-5)

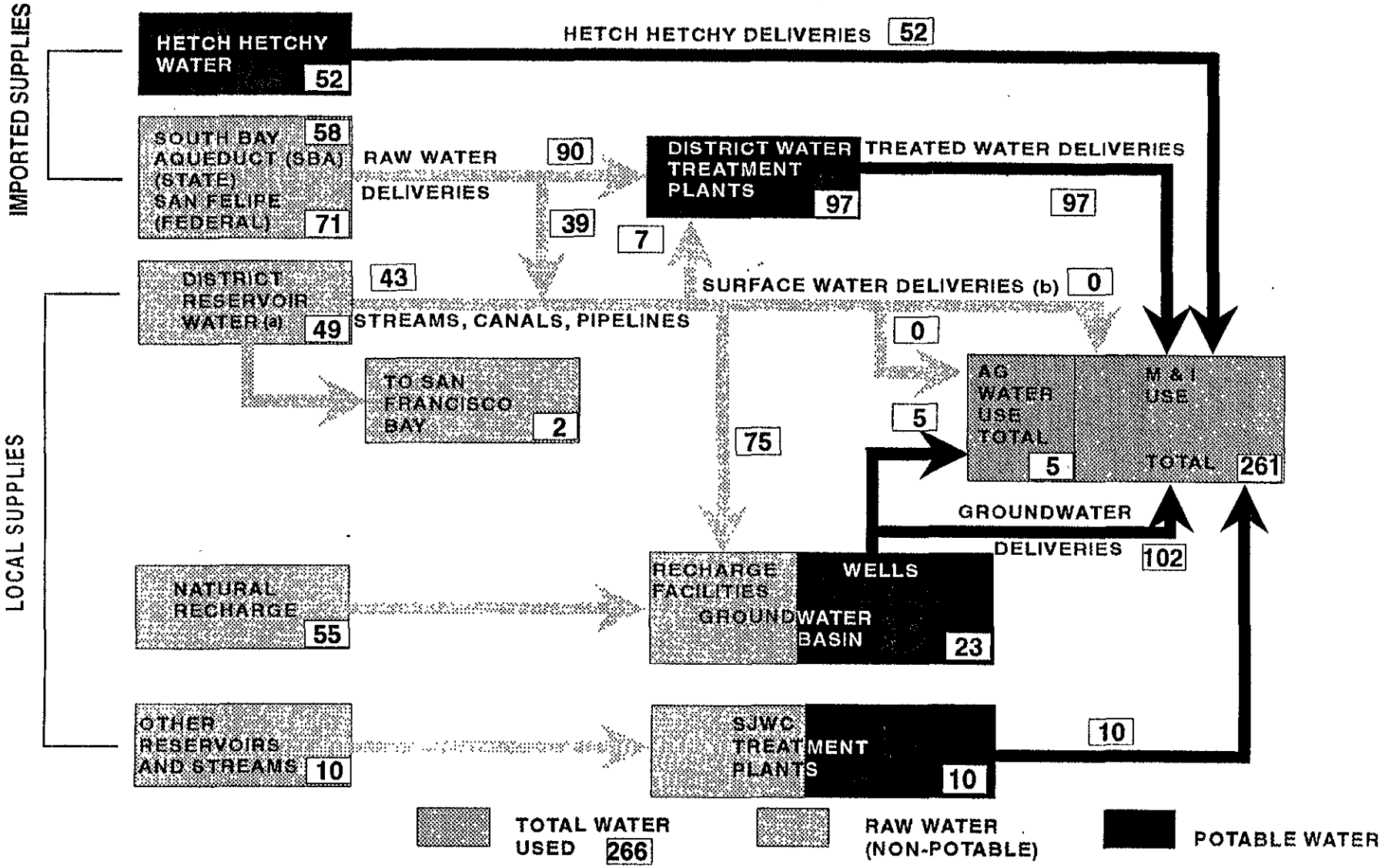
Water year October 1991 through September 1992
(Values in thousand acre-feet)



(a) Includes 2000 AF of increase in storage
(b) Groundwater & surface water deliveries based on fiscal year
Preliminary - subject to revision

WATER SUPPLY & USE
NORTH SANTA CLARA COUNTY (ZONE W-2)

Water year October 1991 through September 1992
(Values in thousand acre-feet)



(a) Includes 4000 AF of increase in storage

(b) Groundwater and surface water deliveries based on fiscal year

Preliminary - subject to revision

Calendar Year 1992 Recorded Water Supply and Use
(Acre-feet)

SUPPLY	CY 1992
Imports:	
Hetch Hetchy (70% of 76,000 AF)	53,000
State Water Project (45% of 96,000 AF)	43,000
San Felipe Project (52% of 152,500 AF)	80,000
Local Supply:	
San Jose Water Company	11,000
Santa Clara Valley Subbasin	108,000
Coyote and Llagas Subbasins	49,000
Total Supply	**344,000**

END OF YEAR STORAGE CHANGE		
Santa Clara Valley Subbasin		
Surface Reservoirs	12,000	
Groundwater	12,000	
Subbasin Total		24,000
Coyote and Llagas Subbasins		
Surface Reservoirs	7,000	
Groundwater	0	
Subbasin Total		7,000
Total Storage Change		**31,000**

USE	CY 1992
North County Use	265,000
South County Use	48,000
Total Use	**313,000**

Calendar Year 1993 Projected Water Supply and Use

(Acre-feet)

SUPPLY	CY 1993
Imports:	
Hetch Hetchy (100% of 76,000 AF)	76,000
State Water Project(86% of 98,000 AF)	84,000
San Felipe Project (61% of 152,500 AF)	93,000
Local Supply:	
San Jose Water Company	15,000
Santa Clara Valley Subbasin	183,000
Coyote and Llagas Subbasins	65,000
Total Supply	516,000

END OF YEAR STORAGE CHANGE		
Santa Clara Valley Subbasin		
Surface Reservoirs	63,000	
Groundwater	48,000	
Subbasin Total		111,000
Coyote and Llagas Subbasins		
Surface Reservoirs	0	
Groundwater	37,000	
		37,000
Total Storage Change		148,000

USE	CY 1993
North County Use	288,000
South County Use	50,000
Total Use	338,000

IMPORTED WATER CARRYOVER	
State & San Felipe Projects	30,000

Future Capital Improvements

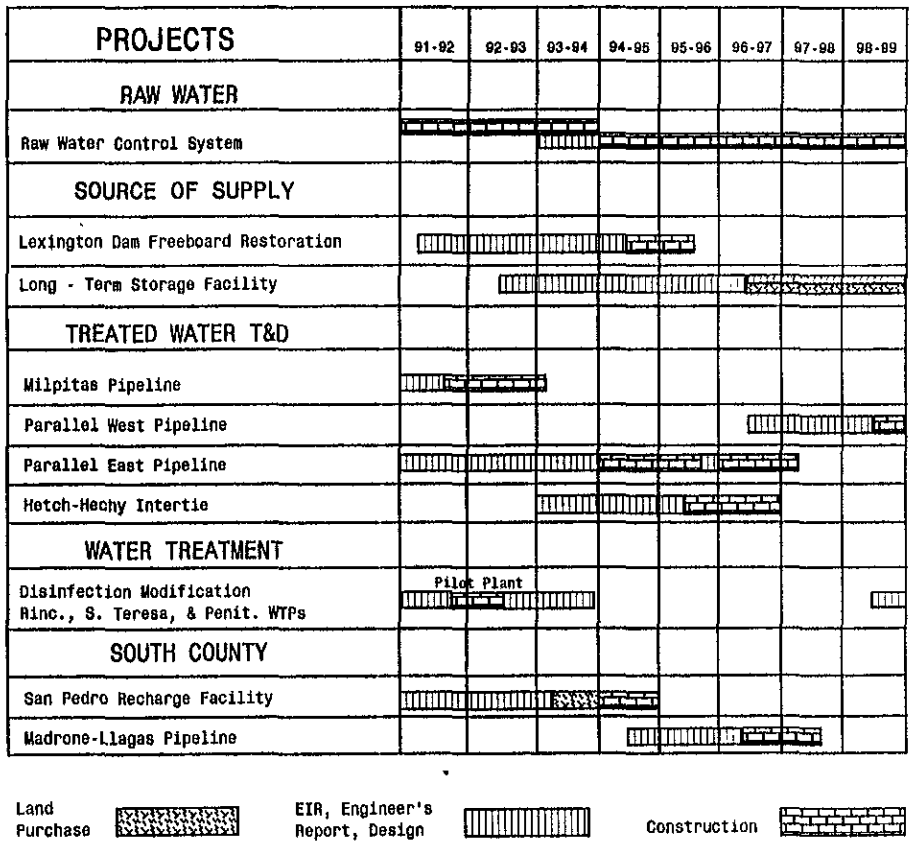
As required by Section 26.5 of the District Act, future capital improvement requirements are identified. These projects influence the long-term financial plan; however, each project requires the approval of the District's Board of Directors before construction.

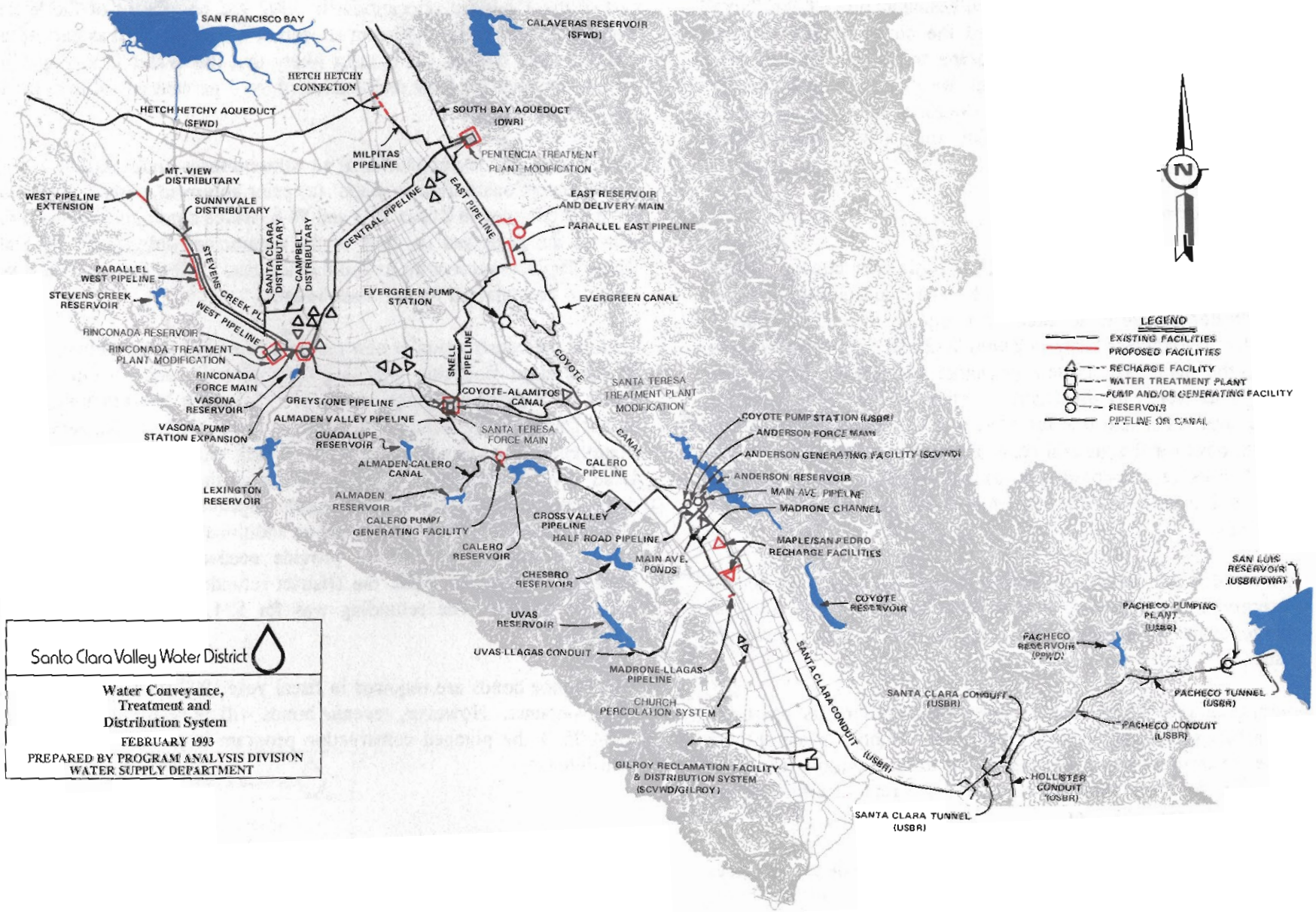
The chart on this page shows schedules of major projects planned by the Water Utility. As shown, future projects include improvements to Lexington Dam, Parallel East Pipeline, Parallel West Pipeline, a new long-term storage facility, disinfection modifications at all three water treatment plants, San Pedro Recharge Facilities, and Madrone-Llagas Pipeline.

The map on the following page shows the location of the District's major existing and proposed facilities.

NEW FACILITY CONSTRUCTION PROGRAM FOR THE WATER UTILITY ENTERPRISE

Fiscal Year 1991-92 Through 1998-99




SAN FRANCISCO BAY
CALAVERAS RESERVOIR (SFWD)
HETCH HETCHY CONNECTION
HETCH HETCHY AQUEDUCT (SFWD)
SOUTH BAY AQUEDUCT (DWR)
MILPITAS PIPELINE
PENITENCIA TREATMENT PLANT MODIFICATION
MT. VIEW DISTRIBUTARY
WEST PIPELINE EXTENSION
SUNNYVALE DISTRIBUTARY
CENTRAL PIPELINE
EAST PIPELINE
EAST RESERVOIR AND DELIVERY MAIN
PARALLEL EAST PIPELINE
SANTA CLARA DISTRIBUTARY
CAMPBELL DISTRIBUTARY
STEVENS CREEK PL.
PARALLEL WEST PIPELINE
STEVENS CREEK RESERVOIR
WEST PIPELINE
EVERGREEN PUMP STATION
EVERGREEN CANAL
RINCONADA RESERVOIR
RINCONADA TREATMENT PLANT MODIFICATION
RINCONADA FORCE MAIN
VASONA RESERVOIR
VASONA PUMP STATION EXPANSION
SNELL PIPELINE
COYOTE CANAL
GREYSTONE PIPELINE
COYOTE-ALAMITOS CANAL
SANTA TERESA TREATMENT PLANT MODIFICATION
ALMADEN VALLEY PIPELINE
GUADALUPE RESERVOIR
SANTA TERESA FORCE MAIN
ALMADEN-CALERO CANAL
CALERO PIPELINE
LEXINGTON RESERVOIR
ALMADEN RESERVOIR
CALERO PUMP/ GENERATING FACILITY
CROSS VALLEY PIPELINE
HALF ROAD PIPELINE
CALERO RESERVOIR
CHESBRO RESERVOIR
MAIN AVE. PONDS
COYOTE PUMP STATION (USBR)
ANDERSON FORCE MAIN
ANDERSON GENERATING FACILITY (SCVWD)
ANDERSON RESERVOIR
MAIN AVE. PIPELINE
MADRONE CHANNEL
MAPLE/SAN PEDRO RECHARGE FACILITIES
COYOTE RESERVOIR
UVAS RESERVOIR
UVAS-LLAGAS CONDUIT
MADRONE-LLAGAS PIPELINE
CHURCH PERCOLATION SYSTEM
GILROY RECLAMATION FACILITY & DISTRIBUTION SYSTEM (SCVWD/GILROY)
SANTA CLARA CONDUIT (USBR)
SANTA CLARA TUNNEL (USBR)
HOLLISTER CONDUIT (USBR)
SANTA CLARA CONDUIT (USBR)
PACHECO RESERVOIR (PPWD)
PACHECO PUMPING PLANT (USBR)
SAN LUIS RESERVOIR (USBR/DWR)
PACHECO TUNNEL (USBR)
PACHECO CONDUIT (USBR)
LEGEND
EXISTING FACILITIES
PROPOSED FACILITIES
RECHARGE FACILITY
WATER TREATMENT PLANT
PUMP AND/OR GENERATING FACILITY
RESERVOIR
PIPELINE OR CANAL
N
Santa Clara Valley Water District
Water Conveyance, Treatment and Distribution System
FEBRUARY 1993
PREPARED BY PROGRAM ANALYSIS DIVISION
WATER SUPPLY DEPARTMENT

Sources of Revenue

The District's Board of Directors, upon recommendation of the Santa Clara Valley Water Commission, adopted the current water pricing policy in 1971. This pricing policy incorporates two important concepts: (1) a water pooling concept in which water for a given zone of benefit is considered a single commodity with a uniform value regardless of source or cost and (2) a water management concept in which the user pays for benefits received.

The District's major water charges are:

- A **groundwater charge** and equivalent **basic user charge**, which are associated with the benefit of water consumption. The groundwater charge is an excise tax applied to water extracted from the groundwater basin in Zones W-2 and W-5 shown on the map to the right. The basic user charge is applied to other types of water delivered by the District. There are two rates, one for agricultural water and one for M&I water. Revenue from these charges pays for the general costs of providing water and for the capital costs of constructing in-county facilities, either through "pay as you go" financing or through debt repayment of bonds and loans.

- A **treated water surcharge**, which is associated with the benefit of receiving treated water. It is levied in addition to the basic user charge on water delivered from the District's water treatment plants.

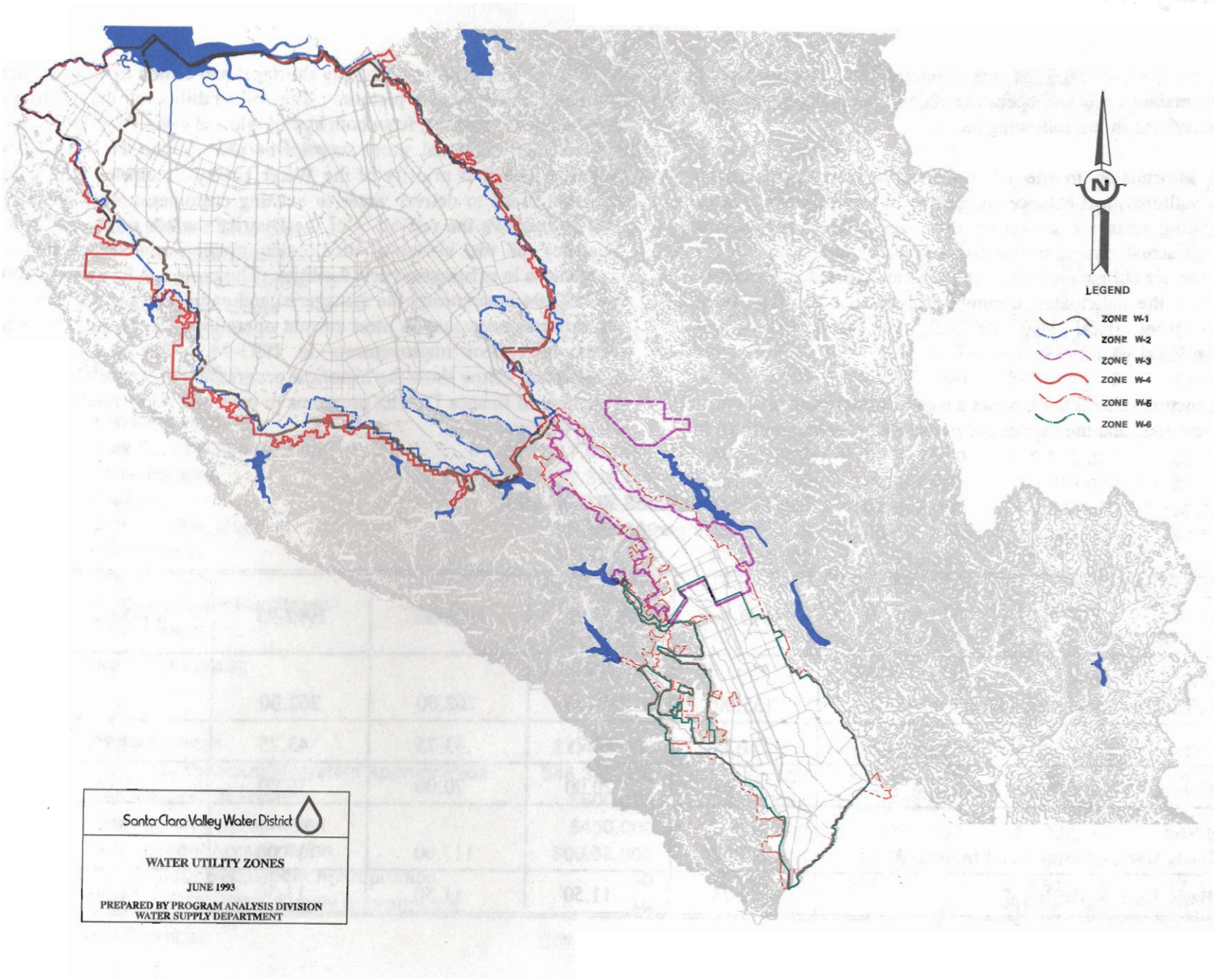
Ad valorem taxes provide revenue to support several benefits which are general in nature serving all or large areas of the County. Some of these benefits are the availability of imported water to the County, recreation associated with the District's reservoirs, and the replenishment of the County's groundwater subbasins.

The District receives a portion of the 1 percent countywide tax revenues as allocated by the County Assessor. Prior to 1992-93, this was based on pre-1978 District tax levies. Tax Zones W-3 and W-4, as shown on the map on the facing page, as well as a Countywide ad valorem tax are part of the 1 percent allocation. In 1992-93, 10 percent of the Water Utility's portion of the 1 percent allocation was reallocated as part of the 1992-93 state budget. It is most likely that the Water Utility will be further impacted by State reallocation of the 1 percent ad valorem tax in 1993-94 and beyond.

The District also levies additional ad valorem taxes under Article XIII A of the State Constitution to meet: (a) prior approved general obligation bond debt service in Zones W-1 and W-6, which zones are shown on the map to the right and (b) part of the contractual obligations for State Water Project water with a Countywide tax. These revenues are not likely to be impacted by the State budget.

To fund the construction of new facilities, the District has relied on both pay-as-you-go financing and long-term debt financing from revenue bonds as authorized by the voters in 1977. The last remaining 1977 authorized revenue bonds were sold in April 1984. In January 1984, State legislation allowed the District to seek electorate authorization to issue revenue bonds as needed following the Board of Directors' approval. Santa Clara County voters approved this authorization in November 1984. The District sold an additional $30 million of revenue bonds in November 1985 to provide needed funding for ongoing projects. In August 1986, the District refunded all outstanding water revenue bonds. The refunding was for $94,935,000 at 6.8 percent interest.

No revenue bonds are required in fiscal year 1993-94 to finance capital improvements. However, revenue bonds will be required in fiscal year 1994-95 if the planned construction program is to be implemented as scheduled.


N
LEGEND
ZONE W-1
ZONE W-2
ZONE W-3
ZONE W-4
ZONE W-5
ZONE W-6
Santa Clara Valley Water District
WATER UTILITY ZONES
JUNE 1993
PREPARED BY PROGRAM ANALYSIS DIVISION
WATER SUPPLY DEPARTMENT

Summary of

As required by Section 26.5 of the District Act, future capital improvements, maintenance and operating requirements, and financing methods are identified in the following pages.

The financial information in the table at the right summarizes the revenues, expenditures, and balances presented in the following pages. The corresponding rates are shown on this page. The expenditures shown are funds actually spent in that fiscal year. Fiscal year 1993-94 construction contract obligation is the sum of the anticipated construction expenditures and the anticipated encumbrance balance for that year. Encumbrances from fiscal year 1992-93 are anticipated to be expenditures in fiscal year 1993-94.

This financial picture reflects the District's water management programs, water supply and use, and the capital improvement programs outlined in this report. Historical water supply shortages and efforts to reduce water use affect the financial picture. The vulnerability of the District's imported water sources, from both hydrologic and regulatory conditions, requires that additional water supplies be planned for the critical dry periods. The first priority of the Water Utility Enterprise is to have sufficient funds to deliver water to existing customers. However, the need to improve the reliability of the District's water supplies and the efficiency of the in-county distribution system requires continuing investments in existing and new facilities. The projected financial picture for 1993-94 incorporates the managerial and engineering assessments of expenditures necessary to meet current operational needs, as well as to invest in system improvements in 1993-94. The water charges summarized below show the historical progression of wholesale charges necessary to finance District programs to meet the water needs of Santa Clara County.

WATER CHARGES SUMMARY
(Dollars per Acre-Foot)

	1989-90	1990-91	1991-92	1992-93	1993-94
Zone W-2 Basic User Municipal and Industrial	135.00	175.00	262.00	262.00	240.00
Basic User Agricultural	31.25	43.75	43.75	43.75	43.75
Contract Treated Water Surcharge	75.00	70.00	70.00	70.00	70.00
Zone W-5 Basic User Municipal and Industrial	39.00	46.00	117.00	117.00	108.00
Basic User Agricultural	9.75	11.50	11.50	11.50	11.50

the Financial Picture

	Actual 1989-90	Actual 1990-91	Actual 1991-92	Estimated 1992-93	Projected 1993-94
Revenues					
Bond Sales, Loans, Grants	$90,000	$0	$0	$0	$0
Property Taxes	$15,079,000	$16,769,000	$17,653,000	$17,641,000	$18,272,000
Interest	$7,232,000	$5,138,000	$5,912,000	$3,320,000	$3,046,000
Groundwater Charges	$10,970,000	$17,346,000	$28,975,000	$30,975,000	$28,536,000
Surface Water Charges	$150,000	$253,000	$223,000	$205,000	$142,000
Reclaimed Water Sales	$1,000	$2,000	$4,000	$1,000	$1,000
Treated Water Sales	$22,798,000	$23,133,000	$31,815,000	$30,802,000	$29,140,000
Miscellaneous	$2,723,000	$1,727,000	$1,047,000	$3,314,000	$2,124,000
Total Revenues	$59,043,000	$64,368,000	$85,629,000	$86,258,000	$81,261,000
Expenditures					
New Facility Construction	$17,438,000	$8,994,000	$6,932,000	$15,316,000	$6,219,000
Administration	$2,346,000	$3,130,000	$2,262,000	$2,773,000	$3,132,000
Planning	$3,405,000	$6,124,000	$7,596,000	$6,320,000	$8,705,000
Construction, General	$2,205,000	$2,135,000	$3,271,000	$3,163,000	$7,261,000
Maintenance	$7,952,000	$7,220,000	$6,143,000	$7,115,000	$8,213,000
Operations	$13,837,000	$14,984,000	$14,202,000	$16,702,000	$19,475,000
Imported Water Purchases	$17,163,000	$15,886,000	$16,084,000	$16,500,000	$16,900,000
Debt Service	$11,192,000	$11,191,000	$11,119,000	$11,133,000	$11,158,000
Total Expenditures	$75,538,000	$69,664,000	$67,609,000	$79,022,000	$81,063,000
Balances					
Encumbrances	$7,402,000	$8,543,000	$19,867,000	$1,877,000	$731,000
In-County Distribution System Appropriation	$46,335,000	$32,664,000	$29,633,000	$23,332,000	$9,830,000
San Felipe O&M Reserve	$600,000	$800,000	$1,178,000	$1,358,000	$1,508,000
Contingency Appropriation	$450,000	$1,000,000	$775,000	$1,000,000	$4,194,000
Replacement Appropriation	$3,932,000	$4,306,000	$4,306,000	$4,491,000	$4,626,000
Bureau Debt Repayment Appropriation	$0	$6,100,000	$15,674,000	$28,611,000	$37,178,000
Supplemental Water Supply Appropriation	$0	$0	$0	$18,000,000	$20,800,000
Total Balances	$58,719,000	$53,413,000	$71,433,000	$78,669,000	$78,867,000

Revenues and Expenditures

The financial picture of the Water Utility Enterprise has been separated into three parts; revenues, expenditures, and year-end fund balances.

The major sources of revenue are treated water charges, groundwater charges, taxes, and interest. The various components of the total revenue received by the District in fiscal year 1991-92 are shown to the right.

Total annual expenditures are operating and nonoperating costs. Operating costs include labor and contract service for District programs. Nonoperating costs are construction projects and general obligation bond repayment. Purchased water is the amount paid to the state and federal agencies for imported water. Also included is debt service which is the repayment of bonds sold to finance new facility construction. The actual expenditures for fiscal year 1991-92 are shown to the right.

The year-end fund balances, the third element of the financial picture, have been appropriated for specific purposes. The various year-end fund balances include:

1. The **In-County Distribution System Appropriation** which will finance construction of necessary facilities of the In-County Distribution System. This balance may include monies received from bond sales, taxes, water charges and other revenues.

2. The **Contingency Appropriation** which is an amount set aside to meet unforeseen expenditure needs that may arise.

3. The **Replacement Appropriation** which sets aside funds to replace major equipment items at the end of their useful lives.

4. **Encumbrances** which consist of appropriations committed but not spent by the end of the fiscal year.

5. The **San Felipe O&M Appropriation** which sets aside funds for unanticipated operations or maintenance costs on the San Felipe Division.

6. The **Bureau Replacement Appropriation** which sets aside funds for repayment of the District's long-term obligation to the Bureau of Reclamation above current year water purchases.

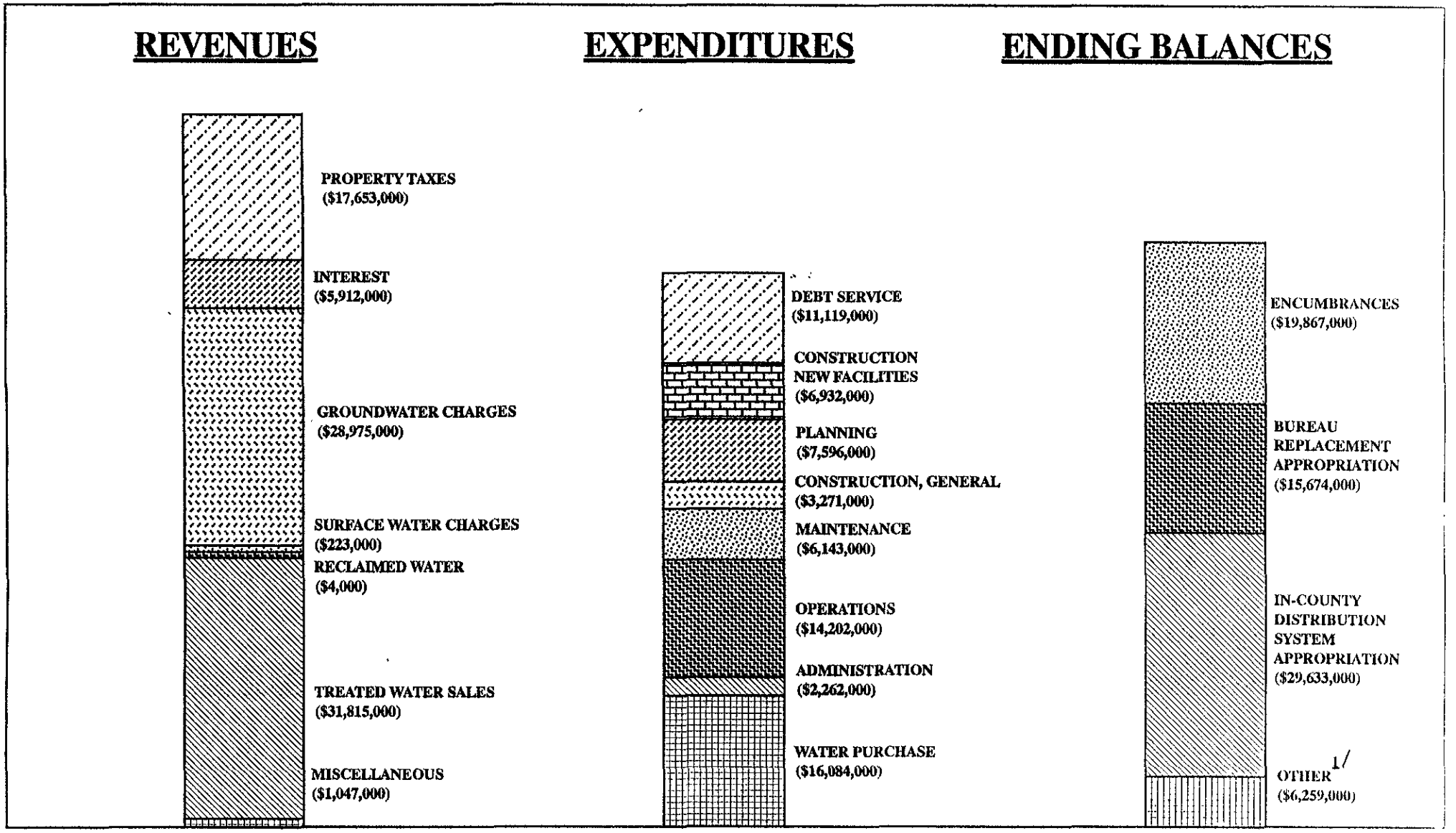
7. The **Supplemental Water Supply Appropriation** which sets aside funds to buy drought bank water or transfer water when needed, and to help finance reclamation and water storage projects.

The revenue bond reserve of $8,917,000 is not shown on these charts because the funds are held by the District's fiscal agent to meet any deficiencies that may occur in meeting the revenue bond debt service. The amount on deposit is equal to the maximum aggregate annual debt service in outstanding revenue bonds.

The available fund balances at the beginning of 1991-92 totaled $53,413,000. The 1991-92 ending balances for District appropriations are shown to the right.

for the Recorded Year
(1991-92)

1991-92 FINANCIAL PICTURE



TOTAL = $85,629,000 **TOTAL =$67,609,000** **TOTAL =$71,433,000**

1/ INCLUDES SAN FELIPE O&M RESERVE, CONTINGENCY APPROPRIATION, AND REPLACEMENT APPROPRIATION

Financial Estimates

Preliminary estimates of revenues, expenditures, and year-end balances for the 1992-93 fiscal year are shown in the chart on the opposite page.

The groundwater sales revenue for 1992-93 is based on the basic user rate. In Zone W-2, the M&I rate is $262.00 per acre-foot and the agricultural rate is $43.75. In Zone W-5, the M&I rate is $117 and the agricultural rate is $11.50.

The contract treated water sales revenue for 1992-93 is based on the basic user rate of $262.00 and the treated water surcharge rate of $70.00 for a combined rate of $332.00 per acre-foot.

Estimated revenue from property taxes include income from the one percent allocation ($7,082,000), from debt services taxes ($2,193,000), and from the State Water Project Tax ($8,366,000). The 1 percent tax allocation is reduced 10 percent to correspond to the state reallocation of these tax revenues.

The estimated 1992-93 construction expenditures shown are not the total contract amounts. Only the estimated dollars spent (cash outflow) during the year are shown in the chart and discussed on this page as expenditures. The remaining contract amounts encumbered for expenditures in future years are included in the year-end balances.

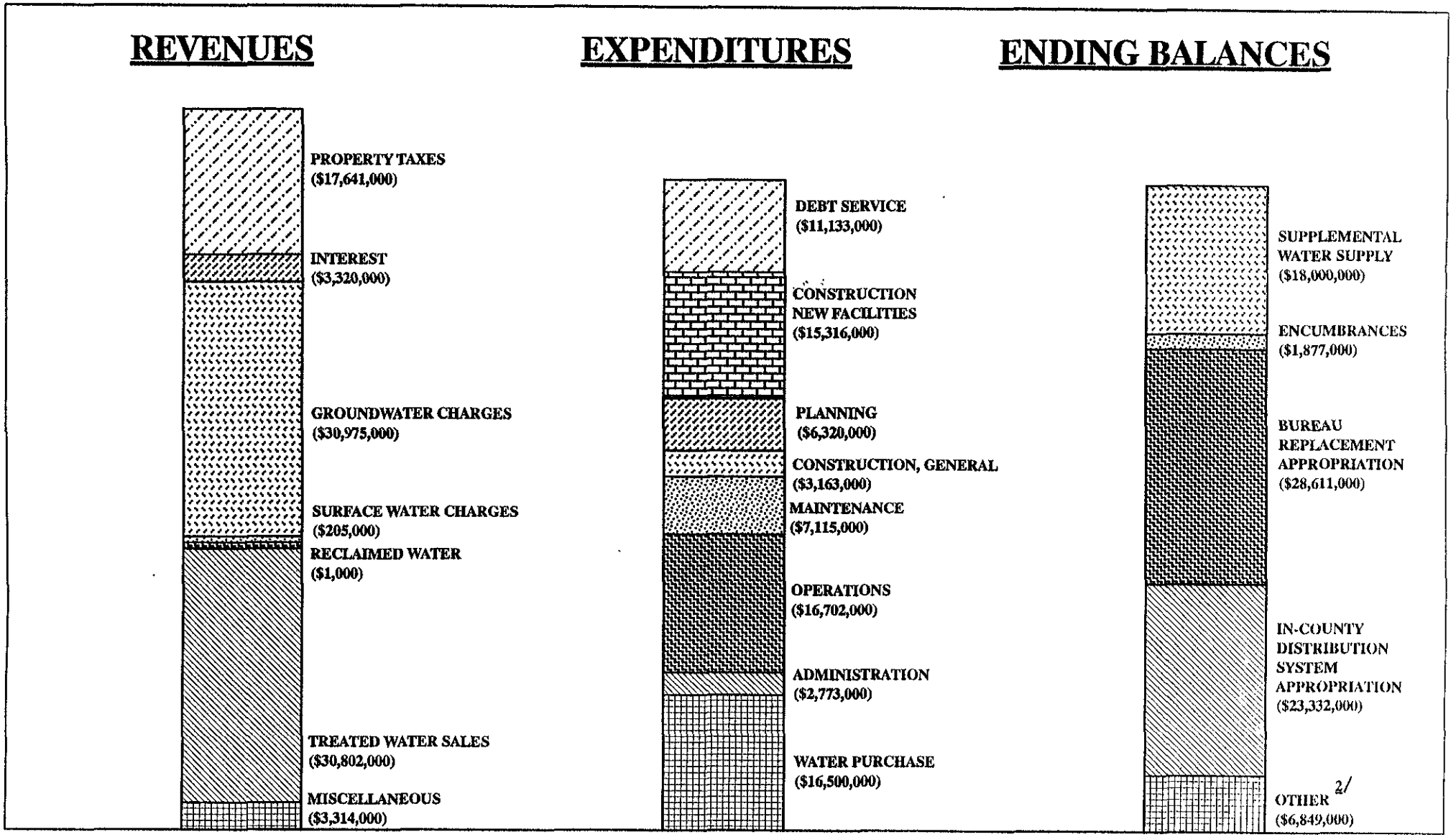
The estimated costs of imported water are $10,000,000 for water from the South Bay Aqueduct of the State Water Project and $6,500,000 for water from the San Felipe Division of the federal Central Valley Project. In addition, the District has set aside, but did not pay, $12,937,000 to cover the Bureau's estimates of unrecovered costs and interest charges. The total cost of the San Felipe Project in 1992-93 is estimated at $19,437,000.

MAJOR CAPITAL IMPROVEMENTS
CURRENT YEAR CASH OUTFLOW
(Estimated)

Project	Fiscal Year 1992-93
Milpitas Pipeline	$ 10,673,000
Raw Water Control System	1,053,000
Parallel East Pipeline	680,000
Disinfection Modifications Pilot Plant	2,689,000
Coyote Dam Outlet Works	226,000
Maple & San Pedro Recharge Facilities	423,000
TOTAL	$ 15,744,000

for the Current Year
(1992-93)

1992-93 FINANCIAL PICTURE 1/



TOTAL = $86,258,000 **TOTAL =$79,022,000** **TOTAL =$78,669,000**

1/ ESTIMATED IN JUNE 1993
2/ INCLUDES SAN FELIPE O&M RESERVE, CONTINGENCY APPROPRIATION, AND REPLACEMENT APPROPRIATION

Financial Projections

Projected revenues for fiscal year 1993-94 are shown on the opposite page. In Zone W-2, the basic user rate is $240 per acre-foot for M&I water and $43.75 per acre-foot for agricultural water for 1993-94. The treated water surcharge rate for 1993-94 is $70 per acre-foot for a total treated water charge of $310 per acre-foot. In Zone W-5, the rates for groundwater extractions and raw surface water for 1993-94 are $108 per acre-foot for M&I water and $11.50 per acre-foot for agricultural water. With the end of mandatory water conservation, 1993 water sales are estimated to be 15 percent less than the 1987 water sales.

The projected revenue from taxes is reduced by 10 percent of the District's previous share of the 1 percent allocation. These property tax revenues may be further reduced by the state budget.

Projected expenditures for 1993-94 include costs to operate and maintain the existing facilities; costs to purchase water from the State Water Project and the federal Central Valley Project; payment of newly established Delta Environmental mitigation fees; and the planning, design, and construction of new facilities.

The projected 1993-94 expenditures shown on the opposite page and discussed on this page are anticipated actual expenditures, not contract amounts. Estimated dollars remaining to fulfill outstanding contract obligations are shown as encumbrances at the end of 1993-94.

The cost of the imported water from the State Water Project is estimated at about $9,900,000 in 1993-94. Imported water from the federal Central Valley Project in 1993-94 is projected to cost $15,567,000 to cover the contract amount of $7,000,000 and the addition of $8,567,000 to the Bureau Replacement Appropriation.

MAJOR CAPITAL IMPROVEMENTS
PROJECTED CASH OUTFLOW

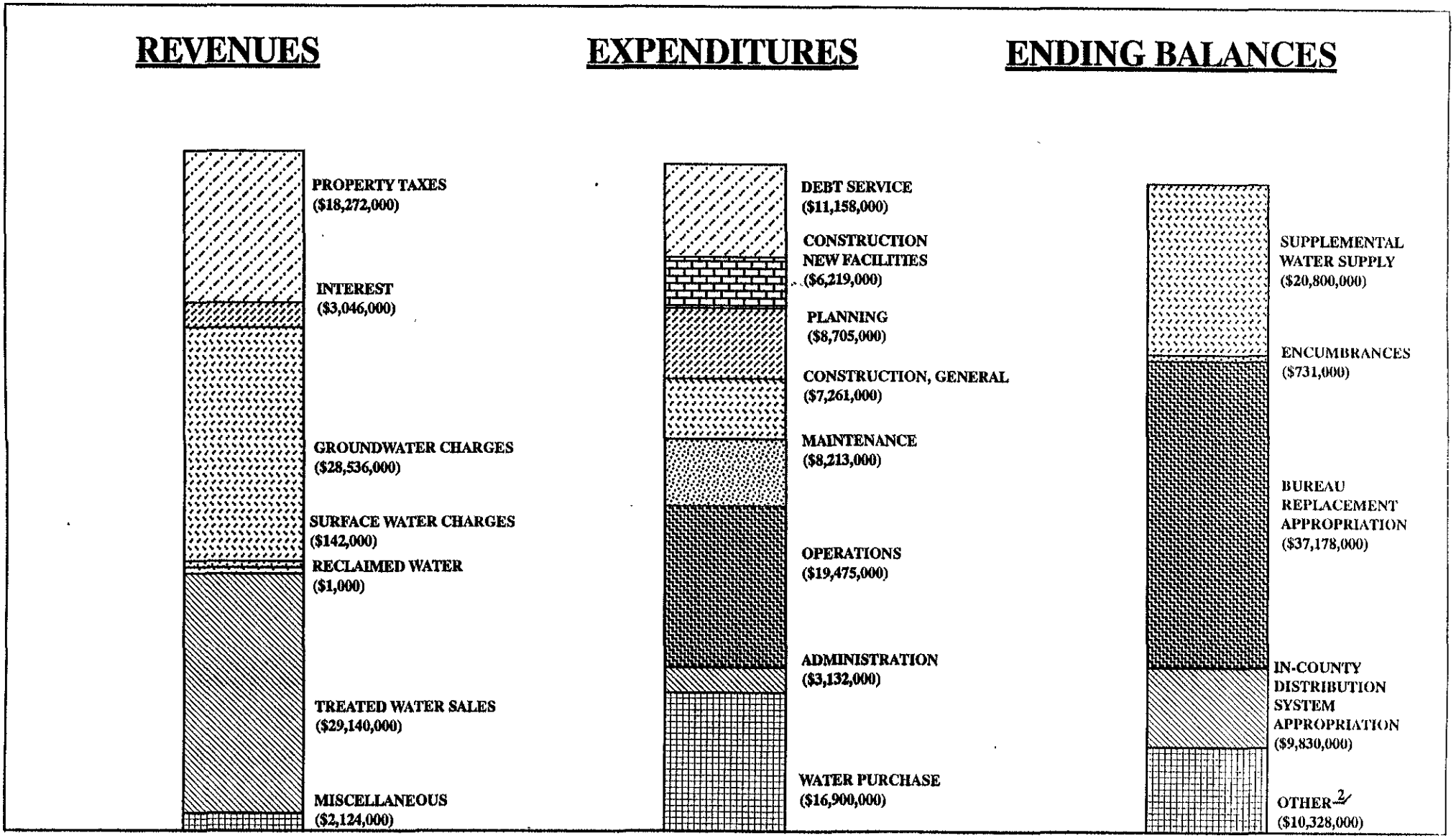
Project	Fiscal Year 1993-94
Milpitas Pipeline	$ 299,000
Raw Water Control System	732,000
Parallel East Pipeline	910,000
Disinfection Modifications Pilot Plant	1,277,000
Lexington Dam Freeboard Restoration	726,000
San Pedro Recharge Facilities	327,000
TOTAL	$ 4,271,000

PROJECTED TAX REVENUES

Tax	Fiscal Year 1993-94
State Water Project Tax	$ 8,674,000
Debt Service Taxes	2,222,000
County Allocation of Taxes	7,376,000
Total Tax Revenue	$18,272,000

for the Next Fiscal Year
(1993-94)

PROJECTED 1993-94 FINANCIAL PICTURE [1]



TOTAL = $81,261,000 **TOTAL =$81,063,000** **TOTAL =$78,867,000**

1/ ESTIMATED IN JUNE 1993

2/ INCLUDES SAN FELIPE O&M RESERVE, CONTINGENCY APPROPRIATION, AND REPLACEMENT APPROPRIATION

Water Charges

As required by Section 26.5 of the District Act, the following pages report the water charges by zone for agricultural and nonagricultural water.

Groundwater charges and equivalent basic user rates which will be levied in 1993-94 in Zone W-2 and Zone W-5 are summarized in Table I and Table II, respectively. The countywide ad valorem State Water Project Tax is recommended to generate $8,674,000.

TABLE I
FOR FISCAL YEAR 1993-94

Groundwater Charges and Basic User Rates in Zone W-2

Agricultural Water (Ag)	$43.75/Acre-Foot
Nonagricultural Water (M&I)	$240.00/Acre-Foot

TABLE II
FOR FISCAL YEAR 1993-94

Groundwater Charges and Basic User Rates in Zone W-5

Agricultural Water (Ag)	$11.50/Acre-Foot
Nonagricultural Water (M&I)	$108.00/Acre-Foot

WATER COMPONENTS AND WATER CHARGES
For Fiscal Year 1993-94

Components		Charges		
Component	**Rate (AF)**	**Type of Charge**	**AG Water (AF)**	**M&I Water (AF)**
Basic User, Zone W-2		**Groundwater**		
Agricultural	$ 43.75	Zone W-2	$ 43.75	$ 240.00
Municipal and Industrial	240.00	Zone W-5	11.50	108.00
Basic User, Zone W-5		**Surface Water**[1]		
Agricultural	11.50	Evergreen Deliveries[2]	228.00	N/A
Municipal and Industrial	108.00	Half Road Deliveries[3]	26.00	122.50
		Other Zone W-5 Deliveries[4]	23.25	119.75
Treated Water Surcharge		Other Zone W-2 Deliveries[5]	55.50	251.75
Contract	70.00	Minimum Charge - Zone W-5[6]	81.00	81.00
Noncontract	50.00	Minimum Charge - Zone W-2[7]	180.00	180.00
Water Master	11.75	**Stored Water**		
		Zone W-2	43.75	240.00
Capital Cost		Zone W-5	11.50	108.00
Half Road Lateral System	2.75			
		Treated Water[8]		
		Contract	N/A	310.00
		Noncontract	N/A	290.00
		Reclaimed Water		
		Gilroy	20.00	80.00

[1] Surface water charge is the sum of the basic user plus the water master. It also includes the capital cost and power wherever applicable.
[2] Evergreen agricultural delivery charges for 1992 through 1995 equal the 1988-89 rate ($72.00/AF) plus 50 percent of the City of San Jose's wheeling charge. The District no longer delivers M&I water to the Evergreen Area.
[3] Half Road = Basic User (AG or M&I @ $11.50 or $108.00) + Water Master ($11.75) + Capital ($2.75).
[4] Other Zone W-5 Deliveries = Basic User (AG or M&I @ $11.50 or $108.00) + Water Master ($11.75).
[5] Other Zone W-2 Deliveries = Basic User (AG or M&I @ $43.75 or $240.00)+ Water Master ($11.75).
[6] Minimum Charge W-5 = 0.75 X Basic User W-5 (M&I @ $108.00).
[7] Minimum Charge W-2 = 0.75 X Basic User W-2 (M&I @ $240.00).
[8] Treated Water Charge is the sum of Basic User ($240.00) and Treated Water Surcharge ($70.00/AF).